

April - June
2004



WASHINGTON STATE
GAMBLING COMMISSION

Focus n Gambling

Capital Reduction & Problem Gambling

As you may know, Engrossed Substitute House Bill 2459, Supplemental Budget Fund Transfer, passed during the 2004 legislative session. The bill was to remove \$3 million from the Commission's budget, with \$500,000 of that amount directed to problem gambling treatment programs, if HB 2776 (gambling treatment bill) passed. The Commission sent a letter to the Governor supporting problem gambling, but opposing the transfer. In the end, \$2.5 million was transferred from the Gambling Revolving Fund; however, the Governor vetoed the transfer of \$500,000 for problem gambling and requested the Commission consider its contributions to problem gambling. In response to this reduction, the Commission is considering reducing 25 positions after June 30, 2005. We will know more details after the July and August Commission meeting.

Additionally, to address the governor's request on problem gambling, we are proposing a new fee to fund problem gambling (see page 6). It may interest you to know that during the past 12 years, the Commission has contributed over \$1.2 million to support the Washington State Council on Problem Gambling (WSPG). Currently, our contract with the WSPG covers costs related to a helpline, at approximately \$25,000 per year. At this time, we are also investigating the options of other problem gambling programs that may also exist in the state that could benefit from contributions raised from the new problem gambling fee.



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Judge Janice Niemi (Ret.), Chair
Alan Parker, Vice Chair
Liz McLaughlin
Curtis Ludwig
George Orr

Ex-Officio Members:

Senator Margarita Prentice
Representative Alex Wood
Representative Tom Mielke

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Electronic Gambling Lab

By: Electronic Gambling Lab Staff

In the background, you can hear bells, digital attract music, and the constant hum of computer server fans. Three staff technicians are running complex testing scripts, troubleshooting, looking at reports and answering phone calls. This is the Electronic Gambling Lab, located on the 2nd floor of the Gambling Commission's headquarters office in Lacey. Originally established for the evaluation of tribal lottery scratch ticket systems, we now also evaluate Bingo systems, pull-tab readers, card facsimile devices, and Keno machines. We evaluate each submission for compliance with rules and laws of Washington State and their functional operation. We verify the security and integrity of each component and then document how to identify it. The unit helps regulatory staff in identifying problems or compliance issues and recommends actions.

In addition, requests to ship Class III devices are entered into a database, which tracks the location of every video lottery terminal in the state. Often we are asked to conduct training on specific devices for regulatory staff or provide information to the legislature or the public.

Our testing scripts and technical standards are constantly revised and updated to reflect the best methods to test equipment and assure the protection of the public. The Electronic Gambling Lab helps the Commission meet its mission to "protect the public by ensuring that gambling is legal and honest."

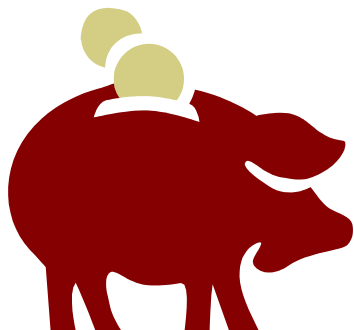
Minimum Bankroll for Card Rooms

By: Danny Lisa, Special Agent

WAC 230-40-833, *Cashier's bank and minimum bankroll – House-banking* requires all card room licensees with house-banked games or player-supported jackpots to maintain sufficient funds in the cage to meet all cash out and prize payout requirements. This rule states that:

"Failure to maintain funds to cash in chips, pay prizes, or redeem gaming related checks shall be prima facie evidence of fraud."

This means card rooms must have enough cash in the cage to redeem all chips and to also be able to payout all potential prizes or jackpots. Prizes may, however, be paid by check as long as there are sufficient funds on deposit. If you do not maintain sufficient funds, your license may be suspended or revoked.



Tips and the IRS

By: Keith Wittmers, Special Agent and Card Room Coordinator

The Internal Revenue Service (IRS) is preparing to roll out an initiative affecting Washington State gambling establishments. This undertaking is part of a nationwide effort to improve tip reporting compliance in casinos, card rooms, and similar facilities. The IRS proposes to work closely with each taxpayer to set reasonable tip rates for each class of tipped employee that exists. Covered workers will include but not necessarily be limited to dealers, cocktail servers, food servers, bartenders, and bus staff. If at least 50% of an establishment's tipped employees agree to report their tips at the rate that has been established for their respective class, participating employees are guaranteed that they will not be audited for the purpose of verifying tip income. The employer receives certain benefits as well, such as a credit against income tax for its share of FICA tax paid on reported tips.

Representatives of the IRS were present at the June 17, 2004, quarterly card room meeting in Renton to highlight the features of this program and to answer questions. This was an excellent opportunity to learn important information as well as to meet the people who will be dealing directly with you over the near term as the initiative unfolds.

The IRS will be contacting all house-banked facilities in the near future to begin reviewing internal controls and implementing the new procedures for tip reporting. You may contact any the following IRS agents to get further information:

Tom McLean (253) 846-5068 Tacoma, WA
Eric Magnuson (253) 428-3538 Tacoma, WA
Pat McLaughlin (425) 775-5656 Seattle, WA



Federal Reserve to Issue the New \$50 Note The New Color of Money Series Continues Safer. Smarter. More Secure.

The Federal Bureau of Investigation (FBI) has asked that we include this article in our newsletter. As you may know, from time to time, we join with the FBI to conduct investigations.

Last year, you saw a splash of color added to your money, with the new \$20 notes dressed in subtle shades of green, peach and blue. This year, the addition of color to currency continues.

The first in the line of Series 2004 redesigned currency, the new \$20 note was issued in October 2003 with enhanced security features and new background colors. The series continues with the \$50 note, which was unveiled to the public on April 26, 2004. The new \$50 note will be issued in late September or early October of this year. It will include new background colors of blue and red; and the new designs and security features found in the Series 2004 currency will make it more burdensome for counterfeiters to produce fake notes and will make genuine notes safer, smarter and more secure.

- **Safer** because they're harder to fake and easier to check.
- **Smarter** to stay ahead of tech-savvy counterfeiters.
- **More secure** to protect the integrity of U.S. currency.

Both the new and older notes will continue to be legal tender and redeemable at full face value. However, the new \$50 note will eventually replace the older-design \$50 notes as worn notes are removed from circulation. A new design for the \$100 note will be issued later. Redesign of the \$10 and \$5 notes is under consideration, but a redesign of the \$2 and \$1 notes is not planned.

What's New?

The most noticeable difference in the new \$20 note was color – subtle green, peach and blue colors featured in the background of the note. Likewise, the new \$50 also features subtle background colors on both sides of the note – blue and red. Also, small yellow 50s have been printed in the background on the back of the note. The Series 2004 notes mark the first time in modern American history that U.S. currency includes colors other than black and green. The addition of different colors for each denomination in the series helps everyone – particularly those who are visually impaired – tell denominations apart.

(continued on page 16)



Keeping the Books Straight The Non-Profit Way

By: Special Agent Michelle Mack, Certified Fraud Examiner
Financial Investigations Unit



Determining how to properly allocate program service expenses, supporting service expenses, and other non-profit organization expenses can be difficult for even the most seasoned bookkeeper. Hopefully, the information given in this article will shed some light on the topic for you.

A good place to start is to define some particular terms, and, in addition, provide you with some examples to assist you in understanding how to properly allocate these expenses.

From the top, let's first discuss **functional expenses**. Pursuant to Washington Administrative Code (WAC) 230-02-162, functional expenses are expenses that are incurred while accomplishing one's stated purpose. Simply put, this figure is the combination of all program service expenses and supporting service expenses. So how do you determine what program services and support services expenses are?

According to WAC 230-02-278, **program service expenses** are expenses that relate to providing assistance to individuals and/or sponsoring activities that directly relate to your organization's stated purpose.

For example, if your organization's mission is to assist in the betterment of local youth by providing after-school basketball programs, the expenses associated with the wages paid to the coaches would be a program service expense. Program service expenses are also incurred when your organization indirectly provides services. For example, your organization's contributions to other service-providing organizations and/or scholarship funds for youths would be program service expenses.

Now let's look at **supporting service expenses**. WAC 230-02-279 defines these as expenses relating to the general operation of your organization's programs, but which are not identifiable to a specific program. The different types of expenses that qualify as supporting service expenses are listed in the rule. Some of these are wages/benefits for the general operation of the organization like the executive director and support personnel and expenses related to providing an administrative office, such as rent, utilities, taxes and insurance.

Properly categorizing expenses based on the definitions above is important to ensure compliance with Commission rules on significant progress, recordkeeping, and other Commission requirements. Similarly, common expenses that relate to more than one area must be allocated as discussed in WAC 230-08-095. This rule states that your organization must be able to clearly support and provide documentation as to the allocation method used for expenditures that *relate to more than one function*. Following are two examples of proper and improper allocation:

Proper allocation: A non-profit organization has on staff an executive director who spends ten percent of his/her time *directly* coaching local youth in the sport of basketball. The remaining ninety percent of his/her time is spent on executive director duties such as planning, facilitating staff/board meetings, and training staff. In this case, ten percent of the executive director's salary should be allocated toward program service expenses to reflect the coaching time spent with the children. The remaining ninety percent would be allocated to supporting service expenses, since wage expenditures involving general operations are specifically defined as supporting services.

(Continued on page 10)

Rules Update

Adopted Rule Changes

Remove these rules which are on pages 17 to 23 and insert them into your rules manual.

Adopted at the May Commission meeting
Became effective July 1, 2004

Bingo at Multiple Locations

WAC 230-04-192 & 230-04-196 Repealed

Repeal of these two rules allows bingo operators to hold more than one bingo license (i.e. operate at more than one location) in the county they are principally located. For example, an organization could operate one bingo game in Tacoma and one in Gig Harbor, both of which are in the same county.

Electronic Facsimiles of Cards

WAC 230-40-07033

DigiDeal, petitioned for an amendment to allow electronic facsimiles of cards to be used for all card games, not just house-banked card games (for example, poker games). The Commission adopted a rule change to allow electronic facsimiles of cards for all card games offered in a house-banked card room as long as the house-banked surveillance requirements of WAC 230-40-825 are followed.

Promotions

WAC 230-12-045

This amendment clarifies requirements related to promotions offered in conjunction with a gambling activity and makes the rule easier to understand. The changes did not change the substance or requirements of the prior rule.

Adopted at the July Commission meeting
Will become effective August 13, 2004

Carry-over jackpots for Event Pull-tab Series

WAC 230-30-033

Bonanza Press, a licensed pull-tab manufacturer, petitioned for a rule change to allow carry-over jackpots to be used in event pull-tab series. Currently, they are not allowed for these games. Staff does not have regulatory concerns allowing this. Event pull-tabs can only be played in connection with a bingo game; therefore, this change would only affect charitable and nonprofit organizations that conduct bingo.

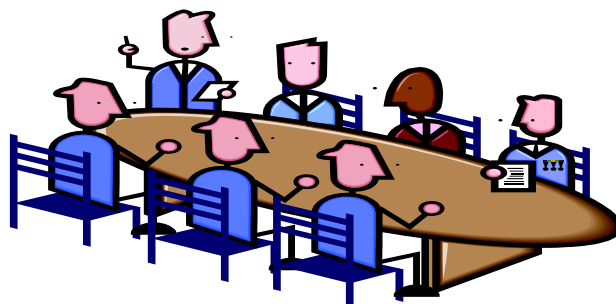
Anticipate Adoption at the August 2004, Commission Meeting

Logo Cards

WAC 230-40-070

Currently, Class E with over 5 tables, Class F, and house-banked card room licensees must use logo cards. The rule change would require only house-banked card games and games with player-supported jackpots to use logo cards. This change would assist approximately 6 licensees.

This rule was up for adoption at the July meeting. However, at the meeting, a licensee asked that logo cards only be required for house-banked card games. Staff will review this request and provide a recommendation for the Commission at the August meeting.

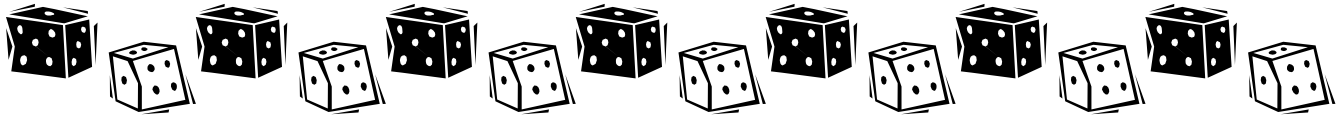


Filed at the July Commission Meeting
And will be discussed at the August Meeting.

Betting Rounds in Card Games: WAC 230-40-120
This amendment would match rules with current policy by clarifying the number of betting rounds allowed in card games.

Licensure of Digital Surveillance Installers:
WAC 230-02-205

This amendment would require persons having access to a card room's digital surveillance system data files to be licensed by the Gambling Commission.



(Rules Update Continued)

We anticipate these Rule Changes will be adopted at the August meeting.

These proposals were filed at the May Commission meeting and discussed in July.

Digital Surveillance in Card Rooms
WAC 230-40-625 and WAC 230-40-825

In 2002, digital surveillance was first introduced for use in card rooms. At that time, digital surveillance technology was fairly new and staff worked with the industry to develop rules for the new technology. After two years of working with, and becoming more familiar with, digital recording devices, several requirements will be updated to match current practice.

Merchandise Prizes for Pull-Tab Games
WAC 230-12-330 and WAC 230-12-340

Currently, **WAC 230-12-330** requires distributors to sell gambling equipment and related products (for example, pull-tab games and merchandise prizes) for the same price to all their customers and **WAC 230-12-340** prohibits the extension of credit on the same gambling equipment and related products, with the exception of credit extended for capital lease agreements. Pull-tab merchandise prizes account for a small portion of the pull-tab prize market, about 1% of pull-tab prizes given away in 2003 (336 million in cash prizes vs. 3.6 million in merchandise prizes). Currently, there are 36 licensed distributors in Washington.

The proposed change removes punch-board/pull-tab merchandise prizes from pricing and credit restrictions. This means distributors would be treated the same as unlicensed persons/retailers selling merchandise prizes and they could buy and sell merchandise prizes for pull-tab games without restrictions from the Commission.

**How You Can Comment
on Proposed Rule Changes**

To keep you informed of rule changes, the Focus on Gambling Newsletter contains updates about proposed and adopted rule changes. This newsletter is also the way we distribute text of adopted rule changes to you. Adopted rules changes should be removed from each newsletter and added to your rules manual. A list of all rules changes currently under discussion is always available on our website at www.wsgc.wa.gov / Rules and Laws / Rules under Review.

Proposed rule changes are normally discussed at three Commission meetings. You are encouraged to attend meetings to address the Commission in person regarding comments you may have. A schedule of Commission meeting dates is posted on our website under Public Meetings. The remaining schedule for 2004 is also located on page 7.

Meeting agendas (list of items to be discussed that day) are linked to the meeting date approximately two weeks prior to each meeting. If you are unable to attend a meeting, you may submit your comments in writing to: Susan Arland, Rules Coordinator, P.O. Box 42400, Olympia, WA 98504, or e-mail Rulesteam@wsgc.wa.gov.

Subscribe on our website under Publications to receive an e-notification when meeting agendas or new editions of our newsletters are posted on our website.

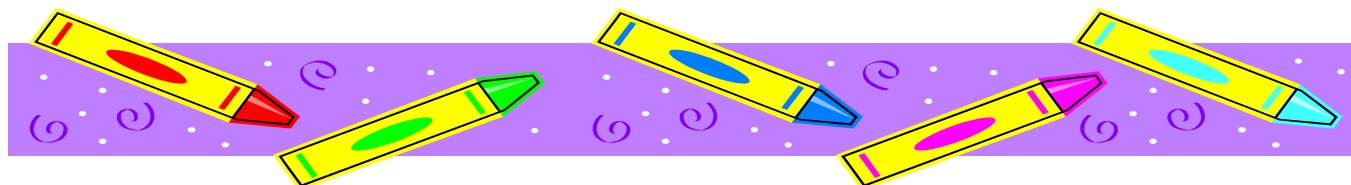


**We're on the Web
at
www.wsgc.wa.gov**

NEW PROPOSED PROBLEM GAMBLING FEE

In 2003, the legislature amended RCW 9.46.071 to allow the gambling commission to contract with qualified entities to provide public awareness, training and other services to problem and compulsive gamblers. To provide a funding source for such a contract, a fee will be assessed on all licensees and applicants for a license. The proposed fee ranges between 1.5 – 3.5% of each gambling license fee (see chart below) and will provide approximately \$150,000 to \$200,000 to support problem gambling training and awareness. The fee would apply to commercial and charitable/nonprofit organizations, but not individual license holders, such as card room employees. This proposed rule was discussed at the July study session.

License Fee	Percentage
Less than \$2,000	1.5 %
\$2,000, but less than \$5,000	2.0 %
\$5,000, but less than \$7,000	2.5%
\$7,000, but less than \$9,500	3.0%
\$9,500 or greater	3.5%



2004 Commission Meeting Schedule

August 12th & 13th

The Heathman Lodge

7801 NE Greenwood Drive

Vancouver, WA 98662 – (360) 254-3100

September 9th & 10th

Hampton Inn/Foxhall

3985 Bennett Drive

Bellingham, WA 98225 – (360) 676-7700

October 14th & 15

Best Western Icicle Inn

505 Highway 2

Leavenworth, WA 98826 – (509) 548-7000

November 18th & 19th

Red Lion Hotel-Yakima Center

607 East Yakima Ave

Yakima, WA 98901 -- (509) 248-5900

December

No Meeting!

Rule Change on the Way
Valid License Required at All Times!
Renewal Application Due 30 days Before your License Expires!

The proposed change would require you to have a valid license on hand at all times. To accomplish this, you would be required to submit a renewal application and fees at least thirty days before your license expires. This allows staff time to process your renewal application and for you to receive a new license in the mail, *before* your license expires. It takes 15-30 days for us to process a renewal application and for you to receive a new license in the mail. If your renewal application is not properly completed, it takes even longer.

Currently, we allow you to continue a gambling activity if your renewal application is at agency headquarters and post-marked no later than the expiration date of your current license on the condition that our agency database (on the agency website) reflects that your properly postmarked, renewal application has been received. This process has not worked well, which is the reason for the proposed change.

We have taken administrative action against individuals and businesses because they were conducting gambling activities without a valid license. Their renewal application had been mailed in; however, we received it *after* the current license had expired. The “licensee” did not check the agency database to see if we had received the renewal application before their license expired. And, they continued working with an expired license.

Common Scenario: A card room employee (CRE) mails in their renewal application a few days before their license expires. The CRE asks their employer to check the agency’s database to see if the renewal application has been received by us. If the database indicates it was received prior to the expiration date of their license, the employer may allow the CRE to work. Remember, it takes 15 -30 days for the CRE to receive a new license in the mail. As a result, the CRE is working up to 30 days without a valid license on hand.

Common Problems associated with this Scenario: A field agent visits the card room and a valid CRE license is not on hand because the CRE waited until the last minute to mail in their renewal application. When this happens, the agent must return to his/her office and search the agency database to see if the renewal application was timely received by staff. If it was not timely received, the agent must return to the card room to address the issue of the expired license. Furthermore, Licensing Services staff receives numerous calls from CREs checking to see if we have received their renewal application and asking staff to immediately update the agency database so their employer can check the database and allow them to continue working. This takes away a large amount of time staff could be using to process renewal applications.

Why these changes are being proposed: Field staff are spending a lot of time verifying CREs have submitted renewal applications on time. Licensing staff are responding to numerous calls from CREs and their employers following-up on renewal applications that are submitted at the last minute or late. Both of these situations can be resolved if a valid license is required to be on hand at all times. Submitting a renewal application 30 days before your license expires ensures staff have time to process your application and for you to receive a new license in the mail. Requiring a person or business to have a current license on hand at all times ensures, at a glance, that persons involved in the gambling activity are licensed and qualified to do so.

We anticipate this proposed rule change will be discussed at the September Study Session.



Recent Rule Interpretations Now Being Enforced by Field Operations

By: Cally Cass-Healy, Assistant Director of Field Operations

The agency has recently implemented new processes in order to address the concerns over consistency in rule interpretations. In addition to adding a section to the monthly licensee study sessions where consistency questions can be addressed, we will be summarizing recent field operations rule interpretations in each quarterly newsletter. These interpretations have been circulated to all agents, and are the guidelines under which they are operating.

Please note that these are guidelines, not policies, and are subject to review and change. Many of them may be included as rule changes, as we review our rules process in the future. If you have any questions, please feel free to call Cally Cass-Healy, Assistant Director at 360-486-3579.

Rule interpretations within the last six months include:

WAC 230-02-210: Distributor Defined:

Distributors shall be allowed to pick up and transport played pull-tab games to service suppliers for weighing. The distributor shall not be allowed to perform this service for free and shall be required to follow all pricing rules.

RCW 9.46.0356 / WAC 230-12-045: Authorized Use of Wheels: The use of wheels in a promotional contest of chance, gambling activity, or in conjunction with promotions is authorized as follows:

PROMOTIONAL CONTESTS OF CHANCE (PCOC): Wheels specifically manufactured (professionally or homemade) for use in a PCOC are authorized in Washington State. Wheels specifically manufactured for use in gambling activities (i.e. Big 6 wheels) are not authorized for use in a PCOC in Washington State.

In accordance with WAC 230-12-045, PCOC's cannot be combined in any way with a promotion being offered by a licensee. This applies to all activities licensed by the commission.

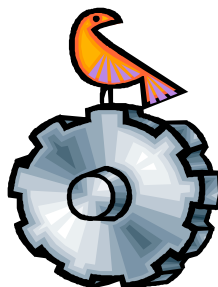
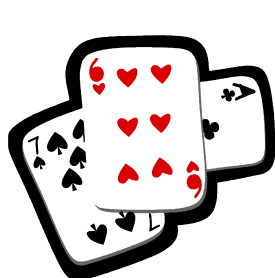
BINGO: Wheels specifically manufactured for use in gambling activities (i.e. Big 6 wheels) are not authorized for use in bingo establishments. Any other type of wheel can be used in conjunction with this activity. WAC 230-20-242 (3) must be adhered to when a wheel is used by a bingo operator.

FUND-RAISING EVENTS: Wheels specifically manufactured (professionally or homemade) for use in a gambling activity (i.e. Big 6 wheels) are authorized in this activity.

RAFFLE: Wheels specifically manufactured for use in gambling activities (i.e. Big 6 wheels) are not authorized for use in raffles. Any other type of wheel can be used in conjunction with this activity.

The use of a wheel is authorized as an alternative drawing format for determining the winner of a raffle. This format must be pre-approved by the commission prior to implementing.

(Continued on page 10)

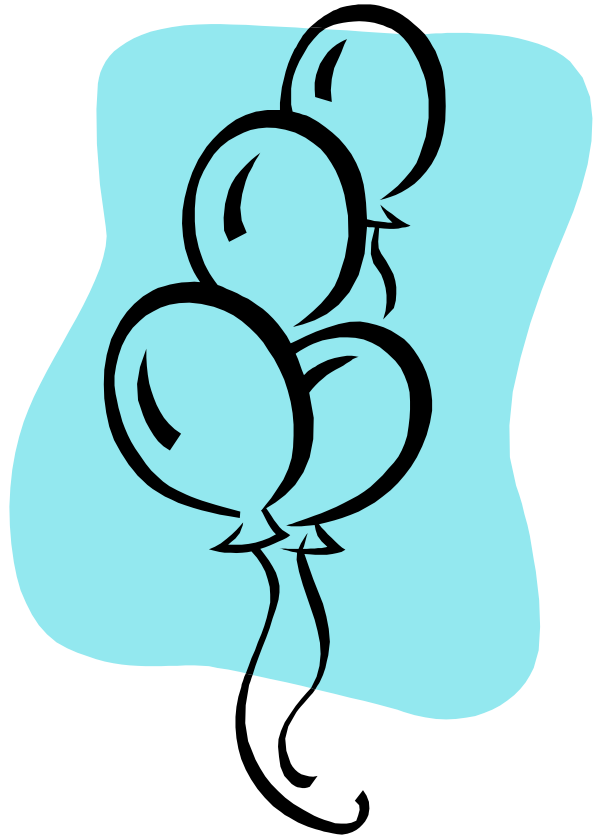


(Continued from page 9) Recent rule interpretations

CARD ROOMS/PULL-TABS: No wheels are authorized for use in these licensed locations in conjunction with their gambling activity. As noted above, a wheel can be used in conjunction with a PCOC offered at these locations.

RCW 9.46.0356: Restricting Entry into a Promotional Contest of Chance: RCW 9.46.0356(1) Promotional contests of chance authorized states, “The legislature authorizes a business to conduct a promotional contest of chance as defined in this section, in this state, or partially in this state, whereby the elements of prize and chance are present but in which the element of consideration is not present.” The statute does not explicitly prohibit a business from setting restrictions regarding who may enter a contest, and therefore, they may do so. For example, entry may be limited to those with an income over certain level, those with military ID, card room employees only, ladies only, etc.

WAC 230-40-815: Adequate Supervision on the Gaming Floor: Casino Operations Manager (COM) -The casino is not required to have the COM on site at all times. If this person is not on-site, he must be readily available or another person designated in charge during his absence. Floor Supervisor. If the facility is operating 11 or more tables, the licensee is required to have one floor supervisor for every five tables and one more level of supervision above that (shift manager or COM). If the facility is operating 8, 9, or 10 tables, they are required to have two floor supervisors with no supervision above them. If the facility is operating up to seven tables in an approved format, they are allowed to have one floor supervisor with no supervision above that level. If the licensee is operating tables in two different areas of the facility, they are required to have at least one level of supervision in each area. If they are operating 11 or more tables, they need an additional level of supervision above the floor supervisors.



(Continued from page 4) Keeping the books straight

Improper allocation: A non-profit organization rents the land and building they operate in. The building is used to operate their programs, administrative offices, and bingo hall. The organization allocates the administrative office expenses and the executive director wages between bingo, supporting service, and program service expenses. The executive director's sole responsibility is the general operation of the organization. This allocation is improper because the executive director's job duties do not involve any time spent directly on programs or assisting with the bingo operation. In this instance, the salary and administrative office expenses are specifically defined as a supporting service expense in commission rules, and, therefore, cannot be allocated between program service or gambling expenditures.

I hope this brief overview has provided you with some clarity on the issue. If you require further assistance on this topic, feel free to call the Financial Investigations Unit at (360) 486-3555, or 1-800-345-2529, ext. 3555.

LATE REPORTING ADMINISTRATIVE UPDATE

By: Robin Brown, Paralegal, Communications and Legal Division

LICENSEE	VIOLATION	CASE OUTCOME
Fleet Reserve #97, Oak Harbor Fraternal Order of Eagles #204, Wenatchee GT's Sports Bar, Shoreline Hitching Post Tavern, Cashmere Little Dutch Inn/Tavern, Yakima Nick's West, Long Beach Pike Place Bar & Grill, Seattle	Failure to timely submit Quarterly Activity Report (QAR) for the third quarter of 2003, and past history of not timely submitting reports.	The licensees agreed to a fifteen-day suspension. Five days were deferred for two years. The remaining ten days were vacated by payment of a \$750 fine and reimbursement of the Commission's costs of \$300. The licensees also agreed to timely submit all future QARs.
Hideaway Bar & Grill, Pacific Beach	Failure to timely submit QARs for the second and third quarters of 2003.	A hearing was held. The licensee did not appear; therefore, the Administrative Law Judge (ALJ) issued an Order of Default, revoking the license.
Wreck Tavern, Port Angeles	Failure to timely submit QAR for the second quarter of 2003.	A hearing was held. The ALJ ordered a fifteen-day suspension. The licensee filed a Petition for Review, which was heard at the April 2004, Commission meeting. The Commissioners modified the ALJ's order, suspending the license for seven days.
Original Rome Restaurant, Arlington	Failure to timely submit QAR for the third quarter of 2003, and violation of a previous Agreed Order.	The licensee agreed to a twenty-day suspension. Eight days were deferred for two years. The remaining twelve days were vacated by payment of a \$1,000 fine, and reimbursement of the Commission's costs of \$300. In addition, the licensee was required to serve the five-day suspension deferred by the previous Agreed Order. The licensee also agreed to timely submit all future QARs.
Fraternal Order of Eagles, #564, Tenino	Failure to timely submit QAR for the third quarter of 2003, and violation of previous Agreed Order.	The licensee failed to respond; therefore, an Order of Default, revoking the license, was entered at the April Commission meeting. The licensee filed a motion to vacate the order, which was denied at the May Commission meeting.
Big Y Tavern, Spokane	Failure to timely submit QAR for the fourth quarter of 2003.	The licensee agreed to a fifteen-day suspension. Five days were deferred for two years. The remaining ten days were vacated by payment of a \$750 fine, and reimbursement of the Commission's costs of \$300. The licensee also agreed to timely submit all future QARs.

Continued on next page.

LATE REPORTING ADMINISTRATIVE UPDATE

Continued from previous page

LICENSEE	VIOLATION	CASE OUTCOME
Cookie's Clubhouse, Bremerton	Failure to timely submit QAR for the fourth quarter of 2003, and violation of a previous Agreed Order.	The licensee agreed to a fifteen-day suspension. Five days were deferred for two years. The remaining ten days were vacated by payment of a \$1,000 fine, and reimbursement of the Commission's costs of \$300. In addition, the licensee was required to serve the five-day suspension deferred by the previous Agreed Order. The licensee also agreed to timely submit all future QARs.
Dugout of Des Moines, Des Moines	Failure to timely submit QAR for the fourth quarter of 2003, and violation of a previous Agreed Order.	The licensee agreed to a twenty-two day suspension. The licensee was also required to serve the eight-day suspension deferred by the previous Agreed Order, for a total of thirty days' suspension, which will be served from June 1 through June 30, 2004.

Late Activity Reports for Third Quarter 2004

The following licensees failed to submit their quarterly reports when due for the third quarter of 2004. They have now submitted their reports and paid a fine based on the number of late reports in the preceding one-year period.

A \$300 fine was paid by each licensee.

BBQ Pete's, Tacoma
 Chasers Bar & Grill, Kirkland
 Hoodsport Inn/Restaurant, Hoodsport
 Room, Seattle
 GK'S Sports Bar & Grill, Vancouver

Administrative Case Update

By: Robin Brown, Paralegal, Communications and Legal Division

Name	Violation	Case Outcome
Club 99 Restaurant & Lounge, Vancouver	Operating Commercial Amusement Games without a valid license.	The licensee agreed to a ten-day suspension. Five days were deferred for one year. The remaining five days were served from March 15 through March 20, 2004. The licensee also agreed to reimburse the Commission's costs of \$300, and pay back licenses fees of \$232.
Denny's Restaurants, #6802 & #6808, Vancouver	Operating Commercial Amusement Games without a valid license.	The licensees agreed to twenty-day suspensions, which were served from April 1 through April 20, 2004. The licensees also agreed to reimburse the Commission for its costs of \$1,161.
Clifford's Bistro & Bar, Sumner	Operating gambling activities without a valid license, and Agreed Order violation.	The licensee agreed to a twenty-day suspension. Five days were deferred for one year. The remaining fifteen days were vacated by a \$3,460 fine. The licensee was also required to serve the five-day suspension deferred in the previous Agreed Order.
Electro Outlet, Inc., Vancouver	Placing Commercial Amusement Games in three unlicensed premises.	The licensee agreed to a ten-day suspension. Five days were deferred for one year. The remaining five days were served from March 22 through March 26, 2004. The licensee also agreed to reimburse the Commission for its costs of \$2,925.
Ram Restaurant & Big Horn Brewery, Tacoma	Failure to delete pull-tab flares.	The licensee agreed to a thirty-day suspension. Ten days were deferred for one year. The remaining twenty days were served from March 15 through April 3, 2004. The licensee also agreed to reimburse the Commission for its costs of \$375, and to reimburse the Commission for the costs of a follow-up inspection to take place within six months of the entry of the Order.
VFW #10474, Spokane	Failure to safeguard assets, resulting in the theft of \$1,000.	The licensee agreed to a fifteen-day suspension. Five days were deferred for one year. The remaining ten days were vacated by a \$1,720 fine, and costs of \$780.
Silver Dollar Casino, Mountlake Terrace	Providing gambling equipment to an unlicensed dealer school.	The licensee agreed to a two-day suspension. One day was deferred for one year. The remaining day was vacated by a \$1,250 fine, and reimbursement of the Commission's costs of \$750.

Continued on next page.

Administrative Case Update

Continued from Previous Page

Name	Violation	Case Outcome
Sierra Design Group, Reno, Nevada	Failure to disclose loans and failure to produce requested documentation.	An Order of Dismissal was entered, due to the licensee's withdrawal of its application for a Distributor's license, and its voluntary surrender of its Manufacturer's license, as a result of the sale of the company.
Vendingdata Corporation, Las Vegas, Nevada	Failure to provide information on substantial interest holders and providing gambling equipment to an unlicensed dealer school.	The licensee agreed to a ten-day suspension. Three days were deferred for one year. The remaining five days were vacated by a \$3,819 fine, and reimbursement of the Commission's costs of \$3,675.
J & R Tavern, Silverdale; Maple Leaf Tavern, Bremerton	Failure to provide requested documents, failure to disclose substantial interest holder, failure to disclose bankruptcy, failure to pay local gambling taxes, and failure to submit Quarterly Activity Reports.	A hearing was held and the Administrative Law Judge (ALJ) ordered the revocation of the licenses. The licensees filed a Petition for Review, which was held at the March Commission meeting. The Commissioners upheld the ALJ's ruling, and ordered the licenses revoked.
Paul Bunyan, Chehalis	Summary Suspension issued due to the criminal history of the owner.	A hearing was held and the ALJ ordered the revocation of the license. The licensee did not appeal.
Olympia Rib Eye, Olympia, and Hamilton Corners Rib Eye, Chehalis	Summary Suspension issued due to the criminal history of the owner.	The licensees did not respond; therefore, an Order of Default, revoking the licenses, was entered at the April Commission meeting.
Exchange Club of Tacoma, Tacoma	Summary Suspension issued due to the licensee having a negative adjusted cash flow for two consecutive quarters.	The licensee did not respond; therefore, an Order of Default, revoking the license, was entered at the May Commission meeting.
Mon Mao, Class III Tribal Gaming Employee, formerly employed by Emerald Queen Casino, Tacoma	Summary suspension issued due to conducting an illegal gambling operation (bookmaking).	The licensee failed to respond; therefore, an Order of Default, revoking the license, was entered at the February Commission meeting.
Randy Lizama, Card Room Employee (CRE), formerly employed by Luciano's Casino, Tacoma	Summary suspension issued due to participating in an illegal gambling operation (bookmaking).	The licensee failed to respond; therefore, an Order of Default, revoking the license, was entered at the March Commission meeting.
Chi "Ronnie" Wong, CRE, formerly employed by Cascade Lanes, Renton; Midway Casino, Des Moines	Cheating	The licensee agreed to surrender his license for one year.

Administrative Case Update

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Name	Violation	Case Outcome
Paulina Tran, CRE, formerly employed by Cadillac Ranch Casino, Longview	Cheating	A hearing was held and the ALJ ordered the license revoked. The licensee filed a Petition for Review, which was heard at the March Commission meeting. The Commissioners modified the ALJ's order, by ordering a thirty day suspension of the license.
Lap Sroeuy, CRE, formerly employed by Hawk's Prairie Casino, Lacey	Cheating	The licensee entered a diversion program as a result of criminal charges. As part of her agreement, the licensee agreed to the revocation her license, and agreed not to work for any gambling enterprise, either in Washington or elsewhere, and agreed not to apply for any type of gambling license, either in Washington or elsewhere.
Michelle Oatis, CRE, formerly employed by Wizard's Casino, Burien	Theft of pull-tabs.	The licensee failed to respond; therefore, an Order of Default, revoking the license, was entered at the March Commission meeting.
Paula Oldham, Class III Tribal Gaming Employee, formerly employed at Northern Lights Casino, Anacortes	Fraudulent entry of false information into the casino's player-tracking system to add credits to her husband's account.	The licensee failed to respond; therefore an Order of Default, revoking the license, was entered at the March Commission meeting.
Marguerite Montenero-Dawes, Gambling Manager, formerly employed by FOE #1444, Concrete	Failure to record information on pull-tab games removed from play, and failure to deposit net gambling receipts within two days, which resulted in \$7,770 being unaccounted for.	The licensee failed to respond; therefore, an Order of Default, revoking the license, was entered at the April Commission meeting.
Marina Ybanez, CRE, formerly employed by Skyway Park Bowl Casino, Seattle	Theft	The licensee did not respond; therefore, an Order of Default, revoking the license, was entered at the April Commission meeting.
Teresa Wright, CRE, formerly employed at Freddie's Club Casino, Fife	Theft	The licensee did not respond; therefore, an Order of Default, revoking the license, was entered at the March Commission meeting. The licensee filed a Motion for Reconsideration, which was scheduled to be heard at the April Commission meeting; however, the licensee did not appear, and the Commissioners denied the motion.
Ronald Stewart, CRE, formerly employed by All Star Casino, Silverdale	Failure to disclose criminal history.	The licensee did not respond; therefore, an Order of Default, revoking the license, was entered at the March Commission meeting.

Administrative Case Update

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Name	Violation	Case Outcome
Vahn Chanthalangsy, CRE, formerly employed by Rascals Casino, Des Moines, and Silver Dollar Casino, SeaTac	Criminal history and failure to disclose criminal history.	A hearing was held and the ALJ ordered the license revoked.
Christy Walker, CRE, Silver Dollar Casino, Tacoma, and Service Supplier Representative, Gaming Consultants, Tukwila	Allowing the removal of the required closed circuit television system for BC MacDonalds, for use at the Silver Dollar Casino for a previously scheduled compliance inspection.	The licensee agreed to a fourteen-day suspension, which was served from May 2, through May 16, 2004.
Adam Myhre, CRE, Silver Dollar Casino, Mountlake Terrace, and Service Supplier Representative, Gaming Consultants, Tukwila	Removing the required closed circuit television system for BC MacDonalds and taking it to Silver Dollar Casino for a previously scheduled compliance inspection.	The licensee agreed to a fourteen-day suspension, which was served from May 16, through May 30, 2004.

(continued from page 3) New \$50 note

New symbols of freedom have been designed on the face of the \$50 note to represent images of the American flag. The traditional stars and stripes of the United States flag are printed in blue and red behind the portrait of President Ulysses S. Grant. A field of blue stars is located to the left of the portrait, while three red stripes are located to the right of the portrait. A small metallic silver-blue star is located on the lower right side of the portrait.

The new U.S. currency will still be recognized as quintessentially American, as many of the traditional features, including the size, texture, and slightly enhanced portraits and historical images, will remain the same.

Security and Design Features

The color added to the redesigned \$50 note should not be used as the basis for determining counterfeit notes.

Because security features are difficult for counterfeiters to reproduce well, they often do not try, hoping that cash-handlers and the public will not check their money. First introduced in the 1990s, the following security features are easy to check:

- **Watermark:** A faint image, similar to the portrait, which is part of the paper itself and is visible from both sides when held up to the light.
- **Security Thread:** Also visible from both sides when held up to the light, this vertical strip of plastic is embedded in the paper. If you look closely, the words "USA 50" and a small flag are visible along the thread from both sides of the note.

Color-Shifting Ink

The number in the lower right corner on the face of the note, indicating its denomination, dramatically changes color from copper to green when the note is tilted.

How to Prepare for the Change

Trust and acceptance of the dollar is vital to the security and stability of the world's monetary system. To ensure that people are aware of the new currency and to help them recognize and use the enhanced security features, the Department of the Treasury and the Federal Reserve are undertaking a broad public education program.

The U.S. government has been working with the financial, retail, gaming and vending communities around the world to ensure that cash-handlers will be prepared by the time the new note enters circulation in the fall. The government is also providing cash-handling industries with information and materials to train employees and educate customers about the new currency. For more information about joining forces with the Treasury and Federal Reserve, visit the Bureau of Engraving and Printing's Web site at www.moneyfactory.com/newmoney or call toll free 1-877-639-2877.

REPEALED SECTIONS:

WAC 230-04-192

Person to hold one bingo license and one amusement game license at a time.

WAC 230-04-196

The commission may issue Class A or B bingo operator's licenses authorizing the conduct of the games at up to three separate locations.

Administrative Order # 429 Effective: July 1, 2004

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AMENDATORY SECTION

WAC 230-12-045 Gambling promotions ((~~for gambling activities--Conditions--Restrictions~~)).

((Licensees may conduct promotions connected with authorized gambling activities under the following conditions and restrictions:

Definitions.

(1) ~~Gambling promotions~~ are directly connected to a gambling activity. A promotion may offer cash, merchandise, and/or discounted coupons to encourage a player to begin or continue play in a gambling activity.

(2) ~~Promotional contests of chance~~ are defined in RCW 9.46.0356. These contests are designed for a business to advertise or promote its goods, wares, merchandise, or services. These contests must be open to all customers and there must always be a free method of entry.

Conditions.

(3) ~~The following conditions apply to promotions:~~

(a) ~~All players must have an equal opportunity to participate;~~

(b) ~~A promotion may provide an initial opportunity to engage in a gambling activity for free or at a discount; and~~

(c) ~~All rules or restrictions governing the promotions shall be conspicuously displayed in the gaming area and referred to on any promotional coupon or advertisement.~~

Restrictions.

(4) ~~The following restrictions apply to promotions:~~

(a) ~~Any promotion offered to an individual player shall not exceed five hundred dollars in actual cost, per item;~~

(b) ~~Promotions shall not consist of schemes in which the prize or end result is an additional opportunity to engage in a gambling activity regulated by the Washington state gambling commission; and~~

(c) ~~Gambling activities and related~~

~~promotions shall not be combined in any way with promotional contests of chance, as defined in RCW 9.46.0356.))~~ Licensees may conduct gambling promotions to encourage players to participate in a gambling activity under the following conditions and restrictions:

(1) The following conditions apply:

(a) All players must have an equal opportunity to participate;

(b) Licensee must establish criteria to determine how promotional items will be distributed to players. The criteria must not include distribution based on an element of chance, such as a drawing or spinning wheel, except as authorized under WAC 230-20-242.

(c) All rules or restrictions must be conspicuously displayed in the gaming area and included on promotional materials or advertisements.

(2) The following restrictions apply:

(a) Promotional items must not exceed a cost of five hundred dollars per item;

(b) Promotional items awarded based on the outcome of a gambling activity must not be an additional opportunity to engage in a gambling activity regulated by the commission;

(c) Gambling activities and related gambling promotions must not be combined in any way with a promotional contest of chance, as defined in RCW 9.46.0356.

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<p>Amendatory Section:</p> <p>WAC 230-30-033 Event pull-tab series -- Definitions -- Restrictions.</p> <p>Charitable or nonprofit bingo operators may use event pull-tab series under the following definitions and restrictions.</p> <p>Definitions.</p> <p>(1) The following definitions apply to this section:</p> <p>(a) "Event pull-tab series" means a pull-tab series that includes a predetermined number of pull-tabs which allow a player to advance to an event round;</p> <p>(b) "Event round" means a secondary element of chance where the prizes are determined based on pull-tabs which match specific winning numbers drawn in a bingo game. The winning numbers must fall within numbers 1 through 75.</p> <p>Manufacturing restrictions.</p> <p>(2) The following manufacturing restrictions apply to this section:</p> <p>(a) An event pull-tab series shall be manufactured meeting all standards of construction included in WAC <u>230-30-103</u>;</p> <p>(b) An event pull-tab series may include instant winning prizes in addition to event round prizes;</p> <p>(c) The flare shall clearly set out the following:</p> <p>(i) All prizes available, in accordance with WAC 230-30-106;</p> <p>(ii) The number of chances available to advance to the event round;</p> <p>(iii) How the event round winner is to be determined; and</p> <p>(iv) The number of winning pull-tabs at the instant winner level, and the number of winning pull-tabs at the event round level.</p>	<p>Operational restrictions.</p> <p>(3)(a) The event pull-tab series must be played in a charitable or nonprofit bingo hall and must be played and completed within one bingo session;</p> <p>(b) Prior to putting an event pull-tab series into play, the operator must fully disclose, in plain view, when the event round (which involves the second element of chance) will take place;</p> <p>(c) Event pull-tab series must be available for purchase until immediately prior to the event round, unless the game has been completely sold out;</p> <p>(d) A licensed manager must be present at all times an event pull-tab series is in play, including sales of tickets and selection of winners;</p> <p>(e) Event pull-tab tickets may be sold by floor workers (for example, from aprons). This method of selling pull-tabs only applies to an event pull-tab series. Detailed accounting records shall be maintained as prescribed by commission staff to track the event pull-tab tickets issued to each floor worker.</p> <p>(f) <u>Event pull-tab series that offer a carry-over jackpot shall meet the requirements set forth in WAC 230-30-045.</u></p> <p>(g) <u>Substitute flares and bonus pull-tab series</u> (The following) are prohibited for use with event pull-tab series.</p> <p>((: (i) Substitute flares;</p> <p>(ii) Bonus pull tab series; and</p> <p>(iii) Carry over jackpots:))</p>	<p>Administrative Order # 432 Effective: August 13, 2004</p>
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AMENDATORY SECTION

WAC 230-40-070 Licensee to furnish all cards, chips and other services.

Each public card room and Class A social card room licensee shall furnish all chips and cards in connection with all card games conducted on its premises at no additional charge to the players, except as provided in WAC 230-40-050(6).

Standards for chips and cards.

All chips and cards shall be of generally conventional size and design, and include safeguards that maximize the integrity of the card games. The following standards and procedures apply to this section:

(1) The licensee shall furnish chips and cards that meet the following requirements:

(a) **Chips.** Chips must include the house name or logo, clearly denote the chip value, be produced by a licensed manufacturer, and purchased from a licensed manufacturer or distributor: Provided, That the director may exempt Class A, B, C, and E licensees with five tables or less from this provision if chips are readily identifiable as having been furnished by that particular licensee and values of chips are clearly posted in the card room: Provided further, That Class D licensees are exempt from the provisions set forth in this subsection; and

(b) **Cards.** The deck or decks of cards must include the house name or logo, be produced by a licensed manufacturer, and be purchased from a licensed manufacturer or distributor: Provided, That Class A, B, C, D, and E licensees with five tables or less are exempt from this provision. These licensees shall comply with all other requirements related to the type of games being played.

(c) **Electronic facsimiles of cards.** Electronic card facsimiles may be approved by the director for use in ~~((house-banked))~~ card rooms for all authorized card games subject to the following conditions:

(i) The system shall:

(A) Produce accurate facsimiles of one or more standard decks of playing cards;

(B) Randomly shuffle the cards prior to each round of play or shoe loading;

(C) Contain a backup system for recording and display of at least five previous rounds of play;

(D) Contain security protocols which prevent unauthorized access;

(E) Provide a means of testing of computer software;

(F) Meet any additional technical standards required by the commission;

(G) Be operated only under card room internal controls specific to each system; and

(H) Be tested by a licensed game testing laboratory for compliance with these requirements.

(ii) The system shall be operated by card room personnel and shall not be designed to allow the player to play against the device.

(iii) The costs of initial laboratory testing and any additional testing required by the commission shall be paid for by the manufacturer.

(iv) The closed circuit television system requirements set forth in WAC 230-40-825 must be followed for all card games.

Bank services.

(2) The licensee shall sell its chips to all players desiring to buy them and redeem all chips at the value for which they were sold. The licensee shall collect the money taken in on chips sold and fees collected and shall keep these funds separate and apart from all other money received by the licensee.

Selling chips for cash or check.

(3) Chips shall be sold for cash only and a licensee shall not extend credit of any nature to a person purchasing chips: Provided, That a licensee may accept a check in accordance with WAC 230-12-053 and 230-40-845. Each receipt by a person of a quantity of chips from the licensee shall be a separate transaction for the purpose of this rule. Checks received for chips retained by the licensee after close of business shall be deposited by the licensee not later than the second day following receipt upon which the licensee's bank is open for business.

Protecting the integrity of cards and chips.

(4) The licensee shall safeguard all chips and cards to assure integrity of games and banking services. Licensees shall not allow:

(a) Playing cards that have been shaved, sanded, cut, carved, or otherwise marked in any manner which may make certain cards identifiable to players other than as allowed by the rules of the particular game.

(b) Any cards or chips which are not furnished by the licensee to be used in any card game conducted upon its premises; or

(c) Any other person to buy or sell chips for use in card games upon its premises.

Our Mission:
Protect the Public By Ensuring that Gambling Is Legal and Honest.

For Operational or Regulatory Questions, please call our field office closest to you.

Bellingham	(360) 738-6203	Spokane	(509) 329-3666
Everett	(425) 339-1728	Tacoma	(253) 471-5312
Kennewick	(509) 734-7412	Wenatchee	(509) 665-3300
Renton	(425) 277-7014	Yakima	(509) 575-2820
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Washington State Council on Problem Gambling
(800) 547-6133

Washington State Gambling Commission

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